

<p align="center">2003-2004 ANNUAL REPORT</p>

CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Civic Center Construction Fund

The Civic Center Construction Fund accounts for the expenditure of bond proceeds for the new Civic Center project.

Civic Center Construction Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 21,218	\$ 23,054	\$ 1,836	8.7%
<i>Expenditure</i>	197,997	181,847	16,150	8.2%
<i>Fund Balance (est. *)</i>	24,991 *	26,803	1,812	7.3%

In 2003-2004, revenues slightly exceeded the budgeted estimate due to higher than anticipated commercial paper proceeds (\$893,000) and interest earnings (\$943,000). Commercial paper is an interim funding source that will be used to cover the construction costs until lease revenue bonds are issued to complete the funding for the new City Hall and the off-site parking garage. Once the financing is complete, a total of \$343 million in lease revenue bonds will be issued for the construction costs for these facilities.

Expenditures ended the year \$16.2 million below the budgeted level. The largest variances were in the Construction (\$14.7 million) allocation with smaller variances in the Public Art (\$846,000) and Consultants (\$608,000) categories. The lower expenditure level was anticipated at the end of the 2003-2004 and the majority of the funds were rebudgeted in the 2004-2005 Adopted Capital Budget. Rebudget adjustments are recommended in this report to adjust the 2004-2005 appropriations based on actual year-end expenditures. The Design and Construction Management appropriation was over-expended at year-end by \$19,634 and requires ratification due to the redistribution of Public Works costs during the year-end close process. The reallocation of these costs was designed to more accurately distribute costs, respond to a finding of the City's outside auditor, and was based on a consultant study.

In 2003-2004, the actual expenditures and encumbrances of \$181.8 million were spread as follows:

- \$158.5 million from the Construction allocation was used to continue major construction phases of the project, which included excavation piles, foundation, structural steel and concrete, curtainwall, mechanical, electrical, plumbing, and tenant improvement contracts.

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CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Civic Center Construction Fund (Cont'd.)

- \$18.9 million from the Consultants allocation was used primarily to finalize various design elements and for construction management services. Other consultant services were provided for archeological services, soil remediation, peer reviews, and operational planning.
- \$2.6 million was spent from the Public Art allocation to award the contract for the major water feature that will be located in the City Hall plaza.
- \$1.5 million was spent from the Design and Construction Management allocation to continue the project oversight.
- \$415,000 was transferred to the Civic Center Parking Fund as a technical adjustment to reverse a prior year transaction. In 2002-2003, \$415,000 was transferred from the Civic Center Parking Fund to the Civic Center Construction Fund in an attempt to align the budgets with the actual land acquisition costs. This transaction, however, was not necessary because the distribution of bond proceeds had been adjusted to reflect the actual costs.

The 2003-2004 ending fund balance was \$1.8 million above the estimate used in the development of the 2004-2005 Adopted Capital Budget due to lower than estimated revenues (\$2.1 million) that were more than offset by lower expenditures (\$3.9 million). The revenue estimate for 2004-2005 is recommended to be increased by \$2.1 million to reflect commercial paper proceeds that are now anticipated to be received in 2004-2005 to complete the funding for the construction project. The expenditure savings are also recommended to be rebudgeted to 2004-2005 to finish the construction project.